

Wessex Water Services Limited

Notification of expected changes to 2019/20 wholesale charges

Introduction

This statement sets out the expected changes to Wessex Water's wholesale charges for 2019/20.

Ofwat's Wholesale Charging Rules published in November 2016 requires undertakers to publish information that informs stakeholders of the scope of any significant proposed changes to its charges six months before publishing its wholesale charges.

For the purposes of this document we provide information on wholesale charges defined by Ofwat in its Wholesale Charging Rules.

The content of this document (and the draft wholesale charges that will be published in October) are subject to the review and approval of the Wessex Water Services Board, which will approve wholesale charges for 2019/20 in advance of the new charging year commencing 1 April 2019.

We provide details of expected changes to wholesale charges in the following sections.

Primary charges

No major changes or any new tariffs are expected that will alter the charging structures for primary charges or create major incidence effects.

Impact of higher inflation on primary charges

In this period of higher than average inflation it is important that primary charges remain affordable. Given the Office for Budget Responsibility's April 2018 RPI inflation forecast for Q4 2018 of 3.3%, we will monitor inflation closely in the run-up to setting wholesale charges for 2019/20.

Assuming no additional major spikes in inflation above the OBR forecast level, we expect all customer bills will be below the 5% threshold of incidence stated in Ofwat's charging rules.

Phasing of changes to trade effluent tariffs in preparation for the bioresources market

The regulatory arrangements to introduce the bioresources market from 1 April 2020 will change the balance of costs within the waste water value chain. This changes the balance of charges, impacting trade effluent customers who pay separate charges for the different waste water services that make up the Mogden charge.

In order to avoid any material one-year incidence effects for customers we are phasing in these changes over three years, in advance of 1 April 2020. The result of the changes are that:

- the "S" charge that remunerates the treatment and recycling of bioresources will be proportionately increasing, and

Notification of expected changes to 2019/20 wholesale charges

- the other elements of the Mogden charge that remunerate reception and conveyance (R), primary treatment (V), and secondary treatment (B) will be proportionately decreasing.

Bill changes for all trade effluent customers will remain below the 5% threshold of incidence stated in Ofwat's charging rules.

Non-primary charges

We are reviewing our disconnection charges and processes to ensure they are in line with the activities carried out. We will issue any proposed changes when we publish draft charges in October once the review has completed.

Other than the above we do not envisage any significant changes to our non-primary charges at this time, subject to minor review later in the year.